Premier Reports on Updated PEA for the McCoy-Cove Property

18.01.2021 | CNW

After-tax NPV5 of $178.0M & 36% IRR at US$1,400/oz Au

ALL AMOUNTS DISCUSSED ARE DENOMINATED IN U.S. DOLLARS

THUNDER BAY, Jan. 18, 2021 - Premier Gold Mines Ltd. ("Premier", the "Company") (TSX: PG) (OTCPK: PIRGF) is p announce the updated results of its Preliminary Economic Assessment ("PEA") on the Cove Project at its 100%-owned McCoy-Cove Property ("Project" and "Property") located near Battle Mountain, Nevada.

Highlights of the updated PEA results and life-of-mine plan ("LOM") include:

- After-tax NPV5 of $178.0 million, and an after-tax internal rate of return ("IRR") of 36% based on a gold price of U – increasing to NPV5 of $306 million and IRR of 53% at a gold price of US$1,680/oz
- Average operating costs of $215/ton, cash cost of $859/oz Au and all-in sustaining cost (AISC) of $948/oz Au
- Indicated mineral resources of 1,110 ktons at 0.316 oz/t Au and 0.850 oz/t Ag for 351,000 ozs of gold and 943,00 silver (1,007 ktonnes at 10.8 g/t Au, 29.1 g/t Ag)[1]
- Inferred mineral resources of 4,262 ktons at 0.317 oz/t Au and 0.602 oz/t Ag for 1,353 koz of gold and 2,565 koz (3,866 ktonnes at 10.9 g/t Au, 20.6 g/t Ag)[1]
- Metallurgical recoveries of 82.5% for gold and 67.1% for silver
- Gold production of 743,000 ounces during 8-year life of mine (LOM)
- Average annual full year gold production of 102,000 ounces
- LOM capital cost of $107.2 million after pre-development costs of $23.9 million
- Mine construction capital of $81.9 million
- After-tax payback period of 4.5 years

"The PEA underscores the importance of McCoy-Cove as one of the cornerstone assets in our soon-to-be spun-out i&# Gold Corp, whose focus will remain the exploration and development of quality gold projects in Nevada, USA", stated E Downie, President and CEO of Premier Gold Mines. "Our go-forward plans for the project includes an exploration ramp aggressive underground drill program to upgrade and expand mineral resources in advance of a future Feasibility Study provide a platform to increase recoverable gold resources and delineate the deposit still open down-plunge".

Project Economics

The Project will process 2.97 million tons at an average grade of 0.303 oz/t Au producing 743,000 ounces of gold over period. The cost profile includes an average cash cost (net of by-product credits) of $859 per ounce of gold sold and an $948 (net of by-product credits) per ounce of gold sold. Annual full year gold production will average 102,000 ounces p the 8-year mine life.

The PEA assumes mining of mineral resources in the Helen and Gap deposits only. Potential exists to increase minera as the deposits remain open for expansion. New mineral resources may also be found along the Cove South Deep and zones and this potential will be reviewed following underground exploration and delineation drilling.

Project after-tax NPV5 is estimated to be $178.0 million at a gold price of US$1,400/oz with a 4.5-year payback from a construction decision and an after-tax IRR of 36% as shown in Table 1.

---

[1] Based on a gold equivalent cut-off grade of 0.141 oz/t or 4.83 g/t Au.

Table 1: Summary of Economic Parameters and PEA Results

Gold price - base case (US$/oz)	1,400
Mine life (years)	8
Maximum mining rate (tons/day)	1,222
Average grade (oz/t Au, g/t Au)	0.303 / 10.39
Average gold recovery (roaster %)	79.3
Average gold recovery (autoclave %)	85.2
Average full year annual gold production (koz)	102
Total recovered gold (koz)	743
Pre-development costs (M$)	23.9
Mine Construction Capital (M$)	81.9
Sustaining capital (M$)	25.2
Cash cost ($/oz)	859
All-in sustaining cost ($/oz)	948
Project after-tax $NPV_{5\%}$ (M$)	178.3
Project after-tax IRR (%)	36

Total undiscounted after-tax cash flow over the life of the Project is estimated to be $230 million. Some $23.9 million in pre-development costs have been excluded from NPV and IRR calculations within the PEA. These pre-development co to advanced exploration, resource conversion, baseline studies and permitting activities to be completed prior to the commencement of mine construction and are considered sunk costs.

Sensitivities of the Project NPV to the gold price and other Project variables are presented in Table 2.

Table 2: After-Tax Sensitivity Analysis to NPV5 and After-Tax IRR

	$NPV_{5\%}$			IRR		
PEA Variable	-20%	PEA	+20%	-20%	PEA	+20%
	($ M)	($ M)	($ M)	(%)	(%)	(%)
Operating Costs	241	178	110	45	36	26
Capital Costs	196	178	160	45	36	30
Gold Price	42	178	306	14	36	53

The PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there certainty that the results of the PEA will be realized.

Location

The McCoy-Cove Property is located immediately south of Nevada Gold Mines' Phoenix Mine, 32 miles south of the To
Battle Mountain, in Lander County, Nevada. The Property hosts the historic Cove mine, operated by Echo Bay Mines L
Bay) between 1987 and 2001, that produced 2.6 million ounces of gold and 100 million ounces of silver and the historic
mine that produced more than 600,000 ounces of gold.

The property benefits from significant historic geological datasets, local and regional infrastructure that include its proxi
paved highways, electric power, and pre-existing mine infrastructure. Premier is proud of its relationships within local co
including the Town of Battle Mountain, which provides important manpower and services to the Property and serves as
location of its regional office.

Geology & Mineral Resources

The McCoy-Cove Property is in the central Nevada portion of the Basin and Range Province, which underwent regiona
during the Tertiary period that created the present pattern of alternating largely fault bounded ranges separated by allu
valleys. The property lies west of the central part of the Battle Mountain-Eureka Trend and hosts four distinct mineraliza
Carlin-style, polymetallic sheeted veins, carbonate replacement (Manto), and skarn. The Helen, CSD Gap and CSD de
Carlin-style deposits while the 2201-VG zone is comprised of steeply dipping polymetallic sheeted veins.

The Cove (Gap) deposit remains open for expansion down-plunge and the 2201 zone remains open along strike and a

Mineral resources were constrained using a gold equivalent cut-off grade of 0.141 oz/t Au. The Project mineral resourc
summarized in Table 3.

Table 3: Mineral Resource Estimate

	Tons (000)	Tonnes(t) (000)	Au(oz/ton)	Au(g/t)	Ag(oz/ton)	Ag(g/t)	Au ozs (000)
Indicated							
Helen	614	557	0.356	12.2	0.100	3.4	219
Gap	176	160	0.345	11.8	0.431	14.8	61
CSD	319	289	0.224	7.7	2.528	86.7	71
2201	-		-		-		-
Total Indicated	1,110	1,007	0.316	10.9	0.850	29.1	351
Inferred							
Helen	1,585	1,438	0.324	11.1	0.116	4.0	514
Gap	1,815	1,646	0.309	10.6	0.448	15.4	561
CSD	552	501	0.198	6.8	2.205	75.6	109
2201	310	282	0.546	18.7	1.127	38.7	169
Total Inferred	4,262	3,867	0.317	10.9	0.602	20.6	1,353

1. The effective date of the estimate is January 1, 2021.
2. Underground Mineral Resources are reported at a gold equivalent cut-off grade of 0.141 opt Au (4.83 g/t Au).
3. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of r resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.
4. Mineral resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), 2014 Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Comm Reserve Definitions and adopted by CIM Council.
5. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has bee exploration to define these inferred resources as an Indicated or Measured mineral resources.
6. Numbers may not add due to rounding.

Mining

The mine will be accessed by a single ramp extending from the surface (elevation 4,625 ft) to the lowest extent of planned mining (elevation 3,430 ft). The access ramp will be large enough to accommodate 30- ton trucks. A series of raises will provide secondary egress and ventilation. A mining contractor will extract the mineralization using drift and fill mining methods at an average rate of 1,180 tons per day.

Metallurgy & Processing

Metallurgical testing was completed by SGS Laboratories under the direction of Jacobs Engineering on behalf of Premier. Composite samples from the Helen and Gap zones underwent whole ore cyanidation testing, roasting and calcine cyanidation tests, and pressure oxidation with cyanidation of the residues. Results indicate that Gap mineralization responds better with pressure oxidation while the Helen mineralization performs better with roasting. Recoveries were assigned to each mineralized lens from the associated composite test results. The recoveries stated herein represent a weighted average value for all mineralization contained in the mine plan of 82.5% for gold and 67.1% for silver.

There are three roasting facilities and two pressure oxidation facilities located in northern Nevada which are amenable to processing the Cove mineralization. The PEA incorporates toll-milling arrangements with associated over-the-road trucking costs for both process methods.

Infrastructure

General infrastructure for the Project will include:

- Site access and haul roads are in place; upgrades and general maintenance required
- Electrical service is available from Nevada Energy; upgrades included for commercial production
- Waste rock storage facility
- Water settling pond
- Rapid infiltration basins
- Workshop is in place on surface; a smaller maintenance facility will be required near the portal
- Shotcrete and backfill plants
- Office and mine dry facilities for contractor mining
- Explosives and detonator storage areas
- Fuel storage and distribution
- Potable water and sewage systems
- Fire water systems
- Site security and fencing

Pre-Development and Capital Costs

The breakdown of pre-development and capital costs is provided in Table 4.

Table 4: Pre-Development and Capital Cost

	Pre-Development ($M)	Mine Construction ($M)	Sustaining ($ M)
Environmental and Permitting	2.5	1.0	1.0
Helen Dewatering	0	14.8	0
Gap Dewatering	0	28.7	0
Electrical Service and Powerline	0.2	3.1	-
Mine Development Helen	8.3	17.9	13.9
Mine Development Gap	-	0.3	9.2
Mine Facilities	1.3	6.2	0.9
Pre-Production Expense	6.1	1.7	0
Mobile Equipment	-	-	-
Resource Conversion Drilling	4.4	-	-
Contingency (15% Excluding Drilling and Development)	1.2	8.4	0.3
Total *columns may not add due to rounding	23.9	81.9	25.2

Sustaining capital is required during operations for mine development, dewatering, and other underground infrastructure.

Operating Costs

The average operating cost is $859/oz Au or $215/t milled over the LOM. The AISC, which includes royalties, closure, reclamation, and sustaining capital costs, averages $948/oz Au. Table 5 presents the LOM operating costs.

Table 5: Life-of-Mine Operating Cost Summary

Category	Total Costs ($ M)	Unit Cost ($/t milled)	Cost per Ounce ($/oz Au)
Mining	296	99.53	398
Transportation & Processing	219	73.82	295
Electrical Power	41	13.76	55
G&A, Royalties and Net Proceeds tax	89	29.96	120
By Product Credits	(6)	(2.04)	(8)
Total Operating Cost	639	215.01	859
Closure & Reclamation	15	5.15	21
Income Tax	25	8.50	34
Sustaining Capital	25	7.77	34
All-in Sustaining Cost	704	237.08	948

Permitting

The McCoy-Cove Project is fully permitted under an Environmental Assessment ("EA") to develop an exploration ramp, complete underground diamond drilling, and to test mine up to 120,000 tons of potentially economic mineralization. The PEA assumes that a new EA will be required to dewater ahead of mining in the Helen Zone. It is expected that an Environmental Impact Statement ("EIS") will be required to dewater ahead of mining. Collection of baseline data, permitting, and bonding for the EIS is expected to be completed in Q2 2024. These timelines may be accelerated pending the interpretation and implementation of recent guidelines given to regulatory agencies by the federal government in the United States.

Next Steps

The focus for the remainder of 2021 and 2022 includes laboratory and economic evaluations of alternative processing methods, optimizing the mine plan with the hydrological model, completion of baseline studies needed to kick off an EIS, and beginning development of an exploration decline to support underground diamond drilling to upgrade and increase mineral resources. Completion of these activities and a feasibility study will occur in 2023-24.

A technical report for the McCoy-Cove Project supporting the results of the PEA will be prepared in accordance with National Instrument 43-101 and will be filed on SEDAR at www.sedar.com and on the Company's websites within 45 days.

All abbreviations used in this press release are available by following this link (click here).

Qualified Person & QA/QC

Scientific and technical information in this press release has been reviewed and approved by Dagny Odell, P.E. (NV Lic#13708) of Practical Mining LLC, an "independent qualified person" within the meaning of National Instrument 43–101.

Qualified Person

Practical Mining LLC., under the supervision of Dagny Odell, P.E., Laura Symmes, SME, and Robert Raponi, P. Eng. each being Qualified Persons within the meaning National Instrument (NI) 43-101, was the lead consultant for the updated PEA.

All abbreviations used in this press release are available by following this link (click here).

Non-IFRS Measures

The Company has included certain terms and performance measures commonly used in the mining industry that are not defined under International Financial Reporting Standards ("IFRS") within this document. These Non-IFRS measures include but are not limited to cash cost per ounce sold, all in sustaining cost ("AISC") per ounce sold. Non–IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore, they may not be comparable to similar measures employed by other companies. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Readers should refer to the Company's Management Discussion and Analysis under the heading "Non-IFRS Measures" for a more detailed discussion of how such measures are calculated.

Certain statements in this release constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws. Such statements and information involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the company, its projects, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect the Company's current expectations regarding future events, performance and results and speak only as of the date of this release.

Such forward-looking statements include but are not limited to the updated results of the Preliminary Economic Assessment on the Project, such as future estimates of internal rates of return, net present value, future production, estimates of cash cost, proposed mining plans and methods, mine life estimates, cash flow forecasts, metal recoveries, estimates of capital and operating costs, timing for permitting and environmental assessments and the size and timing of phased development of the Project. Furthermore, with respect to this specific forward-looking information concerning the development of the Project, the company has based its assumptions and analysis on certain factors that are inherently uncertain. Uncertainties include: (i) the adequacy of infrastructure; (ii) geological characteristics; (iii) metallurgical characteristics of the mineralization; (iv) the ability to develop adequate processing capacity; (v) the price of gold and silver; (vi) the availability of equipment and facilities necessary to complete development; (vii) the cost of consumables and mining and processing equipment; (viii) unforeseen technological and engineering problems; (ix) accidents; * currency fluctuations; (xi) changes in regulations; (xii) the compliance by joint venture partners with terms of agreements; (xiii) the availability and productivity of skilled labour; (xiv) the regulation of the mining industry by various governmental agencies; (xv) the ability to raise sufficient capital to develop such projects; (xiv) changes in project scope or design; and (xv) political factors.

Forward-looking statements and information involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indicators of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements or information, including, but not limited to, the factors discussed below and elsewhere in this release, as well as unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of parties to contracts with the company to perform as agreed; social or labour unrest; changes in commodity prices; and the failure of exploration programs or studies to deliver anticipated results or results that would justify and support continued exploration, studies, development or operations.

Although the forward-looking statements contained in this release are based upon what management of the company believes are reasonable assumptions, the company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this release and are expressly qualified in their entirety by this cautionary statement. Except as required under applicable securities laws, the company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this release.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors described herein and set out in the "Risks and Risk Management" section in the company's Q3 2020 MD&A and under the heading "Risk Factors" in its current annual information form

SOURCE Premier Gold Mines Ltd.

Contact
please contact: Ewan Downie, President & CEO, 1.888.346.1390, Info@premiergoldmines.com, www.premiergoldmines.com